DOCUMENT RESUME

ED 261 457 EA 017 975

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TITLE The Alaska Public School Fund: A Permanent Fund for Education.
PUB DATE Mar 84
NOTE 46p.; Paper presented at the Annual Meeting of the American Education Finance Association (Orlando, FL, March 1984).
PUB TYPE Reports - Descriptive (141) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Educational Finance; Educational History; Elementary Secondary Education; *Endowment Funds; Finance Reform; *Full State Funding; Grants; Land Acquisition; Land Use; *School Funds; *School Support; State Action; *State Aid; State Legislation; State School District Relationship
IDENTIFIERS Alaska; *Alaska Public School Fund

ABSTRACT

This paper examines the development of Alaska's Public School Fund, its current status, and its potential as a major revenue source for elementary and secondary education. The fund, which was created following the 1915 federal school lands grant to Alaska, is examined for the 1916-58 territorial period, the 1959-78 early statehood period, and the 1979-83 contemporary period. The examination covers the treatment and status of school lands, which, until July 1, 1978, provided the primary revenue source for the fund. Legislative changes in the status of school lands and the fund that took effect at the beginning of the contemporary period are reviewed, and a case is developed for the Public School Fund becoming a permanent fund for education. The final section presents a summary and six recommendations: (1) increase the amount of land management receipts credited to the fund; (2) manage the fund to achieve maximum rate of return on investments; (3) credit investment income to a designated public school support account; (4) conduct more frequent outside audits of the fund; (5) select and manage the 1980 addition of school land so as to provide maximum income to the fund; and (6) conduct further feasibility studies. Appendixes provide supporting data tables. (Author/TE)

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# THE ALASKA PUBLIC SCHOOL FUND: A PERMANENT FUND FOR EDUCATION

Paper Presented to the
American Education Finance Association

Annual Conference, Orlando, Florida

March 1984

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Abstract

# The Alaska Public School Fund: A Permanent Fund for Education

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March 1984

This paper describes the development of Alaska's Public School Fund, its current status and its potential as a major source of endowment revenue for elementary and secondary education.

Territorial Period: 1915-1958

The Public School Fund, initially called the Public School Permanent Fund, was created in accordance with Act of Congress March 4, 1915, which reserved sections 16 and 36 in each surveyed township for the benefit of public schools in the Territory of Alaska. Receipts from leases and minerals were to go into a permanent fund, which was to be invested, with the investment income to be expended only for the exclusive benefit of the public schools. The Fund was established in 1916, and by 1958 it had a balance of $161,700. Investment income was being credited to the Public School Current Fund and then disbursed for support of the schools. The school land grant program, displayed in a schematic in Figure 1, was operating as stipulated by the 1915 Act.

Early Statehood Period: 1959-1978

On January 5, 1959, Alaska became a state, and the federal school lands, some 106,000 acres, became state school lands. Management of these lands was under the jurisdiction of the newly-created Division of Lands in the Department of Natural Resources. The first sale of school land occurred in 1959. The Fund's investment earnings were posted to the State's General Fund. The contention was that since the investment earnings were less than the General Fund appropriation for support of schools then the intent of the law was met.

The Public School Permanent Fund grew more rapidly during the next 20 years, and by 1978 showed a balance of $8.5 million. Investment income in Fiscal Year '78 exceeded $560,000. A schematic of the Fund during the Early Statehood Period is shown in Figure 2.

During this period legislative audits revealed illegally executed land leases and that some land rental income was not credited to the Fund. Over $2 million was credited to the Fund in settlement of two of the cases. As a result of these happenings, the State Board of Education was named trustee of the school lands and was charged with approving every land transaction.

Because of these problems, and because of public and legislative pressure to make more state land available for sale to the public, major changes in the management of the lands and the Fund were made by the Legislature in 1978. The school lands, some 103,000 acres (2,300 acres had been sold), were redesignated as general grant lands and put with other general grant lands to be managed by the Department of Natural Resources. A new source of receipts designated for the Public School Fund was to be

one-half of one percent of the total receipts derived from the management of all state lands. A Public School Fund Advisory Board was established; it was to approve all Fund investments.

Contemporary Period: 1979-1983

Due to the legislative changes, the state school land "disappeared" into the pool of state general grant land; there was no legal challenge. The new and larger base of land, some 105 million acres, would be the source of receipts for the Fund, now designated the Public School Fund. A schematic of the Fund as it now exists is shown in Figure 3.

With a new source of receipts beginning in FY '79, the Fund balance increased rapidly. The major reason was that receipts from state lands included state oil production royalties, as well as other related sources not available under the old scheme. As a result, Fund receipts averaged $7 million per year and on June 30, 1983 the Fund balance exceeded $41 million. Investments in U.S. government securities and in certificates of deposit were providing earnings in excess of $3.5 million annually, although these earnings were still being credited to the State's General Fund. The rate of return on investments in FY '83 was 11.68 percent, down from the all-time high of 13.11 percent in FY '82

The Public School Fund Advisory Board, although stipulated by legislation in 1978, was not organized until November 1983. The Advisory Board membership consists of the Commissioner of the Department of Revenue, the Commissioner of the Department of Education, and three members of the State Board of Education.

In 1980, Congress granted Alaska an additional 75,000 acres of school land. This grant was in consideration of school lands not transferred earlier to the Territory because designated sections were withdrawn, reserved or otherwise appropriated. This land must be selected by January 4, 1994.

A Permanent Fund for Education

Through Constitutional Amendment in 1976, Alaska voters established the Alaska Permanent Fund and stipulated that 25 percent of the state's oil, gas, and mineral income be credited to it each year; additional deposits are at the option of the legislature. The purpose was to put aside current surplus revenues in an endowment fund that will help sustain basic state services in the future when mineral and oil royalties are expected to decline substantially. Numerous suggestions have been made to establish a similar endowment fund for public elementary and secondary education.

Oil, gas, and mineral income now provide about 80 percent of the state's General Fund, which is the primary source of revenue for support of public schools. State appropriated funds for school support have been increasing 20 percent per year for the past seven years, and amounted to more than $535 million in FY '83. Clearly an alternative source of revenue for public school support is needed in the future.

The Public School Fund could be an alternative source of revenue for state or local school support - a source of some magnitude if the percent of land management receipts credited to

to the Fund would be increased substantially. One option would be to credit the Fund with ten percent of land management receipts (instead of one-half of one percent which is the current rate). Even though land management receipts are expected to decline in the next few years, this change would give the Fund a balance estimated at $1.1 billion by 1991. Investment of this principal would result in revenues in excess of $100 million in 1991. A greater return would result if deposits into the Fund were more than 10 percent and if a top rate of return on investments was obtained.

Creation of such an endowment would make the Public School Fund an Alaska Permanent Fund for Education, and would demonstrate commitment to stable school support in the future when current major state revenue sources are expected to be less than today.

Recommendations

Recommendations based on this paper include:

1. Increase the amount of land management receipts credited to the Fund
2. Manage the Fund to achieve the maximum rate of return on investments
3. Credit investment income of the Fund to a designated public school support account
4. Conduct more frequent outside audits of the Fund
5. Select and manage the 75,000 acres of school land granted additionally in 1980 in a manner that will provide maximum income to the Fund, and
6. Conduct further definitive studies to enable Alaska to capitalize on the Fund and on the new grant of school land.

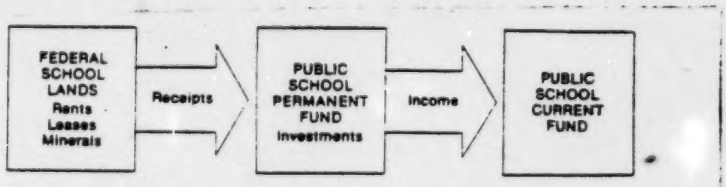


Fig. 1. Public School Permanent Fund Model: Territorial Period

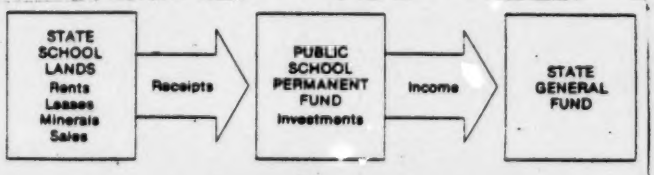


Fig. 2. Public School Permanent Fund Model: Early Statehood Period

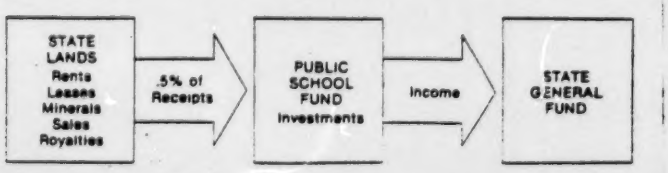


Fig. 3. Public School Fund Model: Contemporary Period



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# THE ALASKA PUBLIC SCHOOL FUND: A PERMANENT FUND FOR EDUCATION

## Introduction

The purpose of this paper is to examine the development of Alaska's Public School Fund, its current status, and its potential as a major revenue source for elementary and secondary education. The Fund, which was created following the 1915 federal school lands grant to Alaska, will be examined in the 1916-58 territorial period, the 1959-78 early statehood period, and in the 1979-83 contemporary period. This examination will include the treatment and status of school lands which, until July 1, 1978, provided the primary revenue source for the Fund. Legislative changes in the status of school lands and the Fund which took effect at the beginning of the contemporary period will be reviewed. The case for the Public School Fund becoming a permanent fund for education will be developed. The final section of the paper will present a summary and recommendations. An appendix contains supporting data tables. Unless otherwise cited, all references to Fund receipts, balances and investments are from Treasurers' Reports, Territory of Alaska, or Annual Financial Reports, State of Alaska.

## The Territorial Period: 1915-1958

The Public School Fund, initially called the Public School Permanent Fund, was created to comply with an Act of Congress of March 4, 1915 which reserved sections 16 and 36 in each surveyed township in Alaska from sale or settlement, and directed that income from these reserved lands be put into a Permanent Fund in the Territorial Treasury. The Act further specified that the investment income of the Permanent Fund be used only for the benefit of the public schools. The Act, which also reserved certain lands in the Tanana Valley for support of a Territorial agricultural college and school of mines states, in part:

> . . . when the public lands are surveyed . . . sections numbered sixteen and thirty-six in each township . . . (are) . . . reserved from sale or settlement for the support of common schools in the Territory of Alaska . . . (and) . . . the entire proceeds or income derived by the United States from such sections . . . and the minerals therein . . . are hereby appropriated and set apart as separate and permanent funds in the Territorial treasury, to be invested and the income from which shall be expended only for the exclusive use and benefit of the public schools of Alaska . . . . [1]

There are 36 sections in a township. Each section contains 640 acres. Thus, 1,280 acres of land in each surveyed township was designated for the support of the public schools.

While this Act was unique to Alaska, similar enactment by Congress in prior years provided land to the states for the support of the common schools. According to Johns and Morphet:

> The policy of setting aside the sixteenth section of each township for the public schools was followed for states admitted between 1802 and 1848. When the Oregon Territory was established in 1848, Congress set aside two sections of each township for the public schools. This policy was continued until 1896, when Utah was granted four sections in every township. Similar grants were made to other western states admitted after that year.[2]

The Public School Permanent Fund was opened and showed receipts of $153.04 for the two-year period ending December 31, 1918, comprised of the following:

For 1917-

October 12, from C. R. Arundell, Chief of Field Division, General Land Office, Juneau, in settlement for timber trespass by V. A. Simmovick of Chena (wood cut from Section 16, Fairbanks Land District). . . . . $18.50

October 25, from Frank A. Boyle, Receiver of U. S. Land Office, Juneau, in settlement for timber cut by Eska Creek Coal Co., from Section 16, Matanuska Coal Lands, under permit . 43.29

December 22, from Frank A. Boyle, Receiver of U. S. Land Office, Juneau, in settlement for timber cut by Eska Coal Co., from Section 15, Seward Meridian . . . . . 11.25

For 1918-

Aug. 20, from Commissioner of General Land Office, Washington, D. C., settlement for timber trespass by certain persons on Section 36, T. 2 N., R. 1 W. (16 cords of wood @$5.00) 80.00

$153.40

Receipts during the next few years were for timber trespass, wood sales, and coal royalties. The first land leases were negotiated in 1920 with the first lease receipt entry in 1920 showing "From Secretary of Alaska--one year's rental account lease of school lands by C. A. Spring, Anchorage, $7.75."

The first investment of the Public School Permanent Fund was made January 10, 1923, when a $500 U. S. Treasury Bond paying four and one-half percent interest was purchased through the B. M. Behrends Bank of Juneau. This bond, due to mature in 1947, was the only investment of the Fund until 1952.

Investment interest on this bond was credited to the Public School Current Fund, which showed receipts as follows: "Interest received on $500.00 U. S. Treasury 4 1/2 % Bond (Investment of Public School Permanent Fund) . . . $422.50." The Public School Current Fund was credited with various tax receipts and money from the General Fund and made disbursements for support of the Territorial schools.

An additional source of revenue for the Public School Permanent Fund was stipulated in House Bill 54, enacted by the Territorial Legislature in 1931. This legislation provided that real or personal property of any Territorial school or school district which is permanently closed may be sold (or transferred to another school) and the monies received be credited to the Permanent School Fund.[3]

Table 1 shows the balances of the Fund at ten-year intervals. Appendix A shows the balances of the Fund at the end of each biennial period from 1918 through June 30, 1958 (when Alaska changed to a July 1 - June 30 Fiscal Year).

Table 1
Alaska Public School Permanent Fund Balances
1918 - 1958

| Period Ending | Balance |
|---|---|
| Dec. 31, 1918 | $ 153.04 |
| Dec. 31, 1928 | 691.75 |
| Dec. 31, 1938 | 5,045.48 |
| Dec. 31, 1948 | 13,997.73 |
| June 30, 1958 | 161,700.03 |

With increases in the principal of the Fund amounting to only about $3,850 per year, it would appear that the Fund balances would consistently be minimal. But events and circumstances of 1958 were to change this.

The Alaska Statehood Act, enacted July 7, 1958, stipulated that:

> Grants previously made to the Territory of Alaska are hereby confirmed and transferred to the State of Alaska upon its admission. Effective upon the admission of the State of Alaska into the Union, section 1 of the Act of March 4, 1915 (38 Stat. 1274; 48 U. S.C., sec. 353), as amended . . . (is) repealed and all lands therein reserved under the provisions of Section 1 as of the date of this Act, shall upon admission of said state into the Union be granted to such state for the purposes for which they were reserved (emphasis added).[4]

While the Statehood Act maintained the purpose of the 1915 legislation, it left Alaska relatively free to manage the lands. For example, the prohibition against the sale of school lands might no longer apply. However, the acreage of the grant was limited, since only those sections 16 and 36 in surveyed townships would be transferred to the state. State sources vary in the number of acres involved, but the first annual report of the Alaska Division of Lands, issued in 1961, estimated the total acreage of school lands to be 106,000 when statehood was achieved.[5]

As the 1915-1958 Territorial Period ended, Alaska had cash and investments in its Public School Permanent Fund totaling $161,700 and some 106,000 acres of school lands as a revenue source for the Fund. Fund investment income was being used for the support of the public schools. The school land grant program, displayed in a schematic in Fig. 1, was operating as stipulated by the 1915 Act.

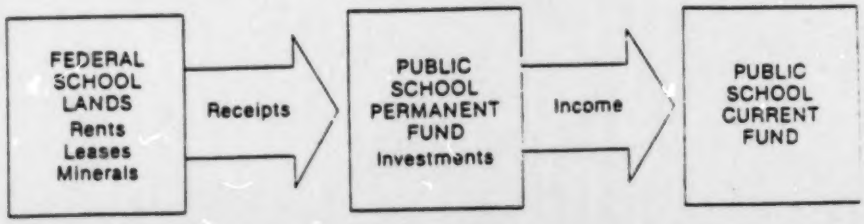


**Fig. 1. Public School Permanent Fund Model: Territorial Period**

## The Early Statehood Period: 1959-1978

On January 5, 1959, Alaska became a state, and the federal school lands became state school lands. Legislation adopted in the first year of statehood provided that management of state lands, including school lands, would be under the control of the director of the newly created Division of Lands in the Department of Natural Resources. This legislation, known as the Alaska Land Act, further provided for the selection, acquisition, management, and disposal of Alaska lands and resources.[6]

The first sale of school land, resulting in receipt of $1,000 to the Fund, occurred in 1959. Income to the Fund for the fiscal year ending June 30, 1959 totaled $95,303.79, and also included receipts from leases, rentals, and sale of timber and minerals. Investments were in U. S. Treasury Notes.

The Public School Permanent Fund balance sheet in the first Annual Report of the State contained the following:

> Legal Reference: Act of Congress, March 4, 1915
> Purpose: To receive income or proceeds from sections 16 and 36 of each township within the State. These monies to be invested and the interest earned to be used for the use of the Public Schools of the State.

Similar references appeared on Fund balance sheets in the Annual Reports in subsequent years.

A 1964 Opinion of the Attorney General (No. 7) directed the continuation by Alaska of the original purpose of the school land grants:

> The grants by the federal government of school . . . lands were confirmed and transferred to the State of Alaska upon its admission to the Union under this subsection, with the express proviso that they be used for the purposes for which they were reserved.[7]

The growth of the Public School Permanent Fund from a beginning balance of $161,700.03 on July 1, 1958 to $8,531,939 on June 30, 1978 is shown in five-year intervals in Table 2. Balances for each year of the twenty-year period are shown in Appendix B.

Table 2
Alaska Public School Permanent Fund Balances
including Cash and Investments
Fiscal Years '58 - '78

| Period Ending | Balance |
|---|---|
| June 30, 1958 | $ 161,700.03 |
| June 30, 1963 | 834,534.66 |
| June 30, 1968 | 2,003,275.36 |
| June 30, 1973 | 3,906,247.00 |
| June 30, 1978 | 8,531,939.00 |

The annual increase in the principal of the Fund averaged $418,512 during this period. The increase is directly attributable to rapid increases in royalty and rental income, a larger number of leases, and sale of land.

As the principal of the Fund grew, so did the amount invested, and the amount of interest earnings credited to the State's General Fund. Table 3 shows the investment portion of the Fund balance and the amount of interest credited to the State's General Fund in four selected fiscal years during the Early Statehood Period.

Table 3
Alaska Public School Permanent Fund
Investment Balances and Interest Earned
Selected Fiscal Years

| Fiscal Year | Investment Balance | Interest Earned |
|---|---|---|
| '63 | 757,416.57 | NA |
| '68 | 1,960,311.57 | 74,683.22 |
| '73 | 3,903,193.00 | 213,938.55 |
| '78 | 8,391,085.00 | 560,489.97 |

Cash and investment balances of the Fund, as well as interest earned for each fiscal year from 1958 through 1978, are shown in Appendix B.

A Statement of Investments of the Public School Permanent Fund did not always appear in every Annual Report of the State. Table 4, which follows, presents selected information from one such Statement of Investments.

During the Early Statehood Period, the Fund Balance Sheets appearing in the State's Annual Reports typically contained the following text:

> NOTE: Interest received on Investments in the amount of (amount) for the Fiscal Year Ended, posted directly to the General Fund and used exclusively for School purposes. LEGAL REFERENCES: Act of Congress, March 4, 1915 and Chapter 55, SLA 1931.

Once the interest was credited to the State's General Fund its identity was lost, since it was co-mingled with all other revenues in the General Fund. Fig. 2 below is a schematic of the Fund during the Early Statehood Period.

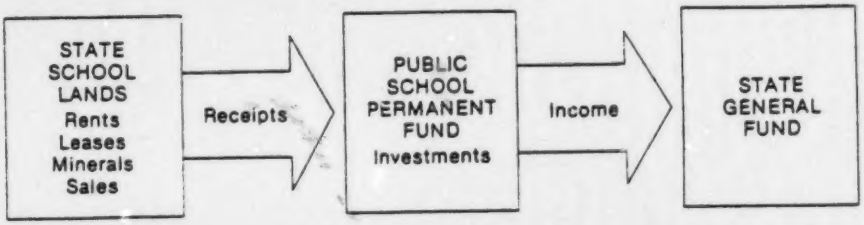


**Fig. 2. Public School Permanent Fund Model: Early Statehood Period**

Table 4
Alaska Public School Permanent Fund
Condensed Statement of Investments
Fiscal Year '63

| Description | Date Acquired/ Maturity | Interest Rate | Book Value |
|---|---|---|---|
| U.S. Treasury Notes<br>Chase Manhattan, N.Y. | 7/14/61<br>8/15/64 | 3 3/4% | $ 75,000 |
| U.S. Treasury Bonds<br>National Bank of<br>Commerce, Seattle | 2/20/62<br>5/15/66 | 3 3/4 | 89,518 |
| U.S. Treasury Bonds<br>NBC, Seattle | 11/14/61<br>9/15/72-67 | 2 1/2<br>2 1/2 | 61,009 |
| U.S. Treasury bonds<br>NBC, Seattle | 3/15/62<br>8/15/71 | 4 | 230,606 |
| U.S. Treasury Bonds<br>Seattle First National Bank | 6/15/51<br>12/15/72-67 | 2 1/2 | 20,000 |
| U.S. Treasury Bonds<br>Wells Fargo, SF, Calif. | 6/23/60<br>5/14/64 | 3 3/4 | 81,910 |
| U.S. Treasury Bonds<br>NBC, Seattle | 3/14/63<br>11/15/71 | 3 7/8 | 199,313 |
| Total Permanent School Fund: | | | $757,416 |

Note: Par value of these securities totaled $782,000.

The Public School Permanent Fund drew special attention when Legislative Budget and Audit reviewed the Fund financial statements for 1973-74. Major findings and recommendations of this review, issued on April 22, 1975 were that:

1. the financial position of the Fund was not presented fairly in conformity with generally accepted accounting principles

2. lease income from certain school lands was recorded in the General Fund, causing Permanent Fund assets and Fund balance to be understated by $897,599, income understated by $190,338, and expenditures understated by $36,769

3. lease payments should reflect current market lease values, lease rentals should be readjusted at five-year intervals to reflect current reappraisals, and state agencies should pay for use of school land

4. interest rates on land sale contracts should be reviewed to reflect market conditions

5. State Board of Education approval should be obtained before sale, lease, exchange, or other disposal of school lands.[8]

The Merrill Field School Section lease, although not identified in the audit report, was the one whose lease income was improperly recorded in the General Fund. This lease was for residential development on a 170-acre tract known as Penland Park in Anchorage and, according to the Alaska Division of Lands Annual Report for 1971, " . . . produced an income to the State of Alaska's Public School Permanent Fund of $122,000 in annual rental . . . ."[9] But, as the audit report revealed, the money was not credited to the Permanent Fund.

Penland Park came in for more attention in 1976 when it was determined that this lease, as well as another large one, the Teamster Lease, also in Anchorage, had been illegally executed. Primarily because of efforts of the Alaska Public Interest Research Council, settlements approaching two million dollars were made by the lessees in favor of the Public School Permanent Fund.[10]

Alaska was not unique in having problems in the management of school lands. Several public school finance and school administration authorities have noted the mismanagement of school lands and funds. To cite just three, DeYoung in 1942 stated, "Although some of the funds were poorly managed, these gifts of the federal government to education have been extremely significant,"[11] Burrup in 1974 said, "a few states managed their lands and funds wisely while others were guilty of gross mismanagement,"[12] and Johns and Morphet in 1975 wrote, "partly because of poor management of these lands this (that land income might pay all school costs) was a vain hope and would have been even if the public lands had been well managed . . . ."[13]

Largely as a result of the audit report and the improper leases in Anchorage, the law was changed and the State Board of Education was named trustee for school lands. The Board was further authorized to retain private counsel or other professional assistance when necessary to fulfill its duties as trustee.[14] This meant that <u>every</u> school land transaction needed State Board of Education approval before contracts could be issued or leases initiated or renewed. This same statute continued the apparent prohibition of sale of school land to anyone except a borough or city, stating, in part, "disposal of school lands, other than by lease . . .
or by exchange . . . shall be made only for sites for school facilities or for public park and public recreation purposes."

The management of state lands, including school lands, was examined in FY'76 by the audit division of the Budget and Audit Committee of the Legislature. The Committee's review of the land management programs administered by the Division of Lands of the Department of Natural Resources disclosed procedural errors in handling termination of leases and contracts. The findings and recommendations of this audit stated, in part:

> The Division of Lands should develop and implement procedures for the termination of leases and contracts in default upon the expiration of the specified default period . . . violations of lease terms subject the lessee/purchaser to appropriate legal action, including forfeiture. By not taking prompt termination steps, the land involved is not available for re-lease or resale, and revenue to the State is lost . . . the Division should discontinue the second default notice(which) is not required . . . .[15]

Events and issues of this period would eventually lead to a major change in the status and management of school lands and to a major change in sources and amounts of revenue for the Public School Permanent Fund. These issues included the following:

1. There was increasing public and legislative pressure to make more state land available for sale to the public

2. Laws and regulations prevented wider use of school lands; sale of land was especially restrictive

3. The State Board of Education was spending much time and effort in overseeing the school lands program, a role that many questioned

4. Jurisdictional and management problems existed, not only with respect to school lands, but with Mental Health Grant Lands and University Grant Lands.

Independent efforts within the concerned State agencies to resolve these issues were underway in the 1976-78 period. Eventually, this became an interagency effort, and an ad hoc advisory panel began studying the problem. One of the reports received by this panel in 1977 was a synopsis of applicable statutes, which concluded, in part:

> . . . there is general case-law support for the position that the administration of school . . . trust lands is a trust responsibility, and is governed to a degree by the language and conditions of the original statutory grant of lands. The extent to which such original grant still controls details of the methods and terms under which such lands may be leased or sold . . . is a subject upon which there are no clear guidelines in Alaska at the present time. [16]

Out of this interagency effort came specific recommendations for legislative change. These recommendations resulted in Senate Bill 159 adopted in 1978.

This legislation made sweeping changes in the status and management of school lands as well as in the Public School Permanent Fund. The first change redesignated school land as general grant land:

> Sec. 2. REDESIGNATION AND DISPOSAL OF SCHOOL LAND. (a) Land granted to the state in sections 16 and 36 in each township surveyed before January 3, 1959 under the Act of March 4, 1915, 48 U.S.C. 353, and patented to or approved for patent to the state on July 1, 1978 and land designated as school land which was received in exchange for land granted under that federal land grant and land granted to the state as lieu or indemnity is redesignated as general grant land and shall be managed consistent with applicable provisions of law (emphasis added). [17]

This meant that the identity of the land as school land would be lost, as it would be merged with other general grant lands of the state. It also eliminated the State Board of Education from any jurisdiction over lands, clearly charging the Department of Natural Resources with full authority to manage the lands.

The redesignation of school land was included in the Temporary and Special Acts in 1978 and is not in current state laws. Other portions of SB 159 became part of Title 37 (Public Finance), Alaska Statutes, and are presented below as enacted.

The second major change involved the creation of a new fund, the Public School Fund, which would consist of the balance of the Public School Permanent Fund and sums to be transferred from a new source.

> ARTICLE 3. PUBLIC SCHOOL FUND.
>
> Sec. 37.14.110. PUBLIC SCHOOL FUND ESTABLISHED. (a) There is established as a separate fund the public school fund.
> (b) The principal of the fund established in (a) of this section consists of (1) the balance of the public school permanent fund on July 1, 1978; and (2) sums transferred under sec. 150 of this chapter.
> (c) The income of the fund created in (a) of this section consists of the interest and dividends earned from investments of the principal of that fund under sec. 170 of this chapter.

The third major change was to create a Public School Fund Advisory Board with representation from the Department of Revenue and the Department of Education.

Sec. 37.14.120 PUBLIC SCHOOL FUND ADVISORY BOARD CREATED.
(a) There is created in the Department of Revenue the Public School Fund Advisory Board composed of the commissioner of the Department of Education, three members elected by the Board of Education from among its membership, and the commissioner of the Department of Revenue.
(b) The board created in (a) of this section shall elect a chairman from the membership of the board. Members serve without compensation but are entitled to per diem and travel expenses authorized by law for other boards.

Sec. 37.14.130 POWERS AND DUTIES OF BOARD. The board created in sec. 120 of this chapter has the following powers and duties:
(1) to hold regular meetings and special meetings considered necessary;
(2) to have prepared an annual accounting of the principal and income of the fund established in sec. 110 of this chapter; and
(3) to prepare long-range investment plans for the fund established in sec. 110 of this chapter.

The fourth major change was a redesignation of the use of the principal in the Fund, with specific directions regarding investment policy. Most importantly this section of the new law retained the proviso that Fund income be used only for public education programs.

Sec. 37.14.140. FUND UTILIZATION. The principal of the fund established in sec. 110 of this chapter shall be retained in the fund for investment as specified in sec. 170 of this chapter. The income of the fund may not be appropriated for a purpose other than for the support of public education programs.

The fifth, and perhaps most sweeping change, designated a new (or redefined) source of revenue for the Public School Fund. The revenue source was to be a portion of <u>total receipts</u> derived from management of state land--<u>all state land.</u>

Sec. 37.14.150. CONTRIBUTIONS. During each fiscal year the commissioner of the Department of Revenue shall transfer to the fund created in sec. 110 of this chapter a sum equal to <u>one-half of one percent of the total receipts derived from the management of state land</u>, including amounts paid to the state as proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments or bonuses (emphasis added).

The effect of this would have the most impact upon the growth of the Fund. No longer would Fund income be only from school lands, comprising some 106,000

acres, but the specified percentage of receipts from management of all state lands, some 105 million acres.

The fifth major change specified that the principal of the Fund was to be invested with the approval of the advisory board and in the same manner as that specified for surplus pension funds:

> Sec. 37.14.170. INVESTMENTS. (a) The commissioner of revenue, with the approval of each advisory board created in secs. 20, 70, and 120 of this chapter, may invest the principal of the funds created in secs. 10, 60, and 110 of this chapter in the same manner as specified for the investment of surplus pension funds under AS 39.35.110.

Subsequent portions of this section defines the powers and duties of the Commissioner of Revenue in serving as treasurer of the Fund.

The statute regarding investment of surplus pension funds lists seventeen kinds of acceptable investments, and gives some specific directions, presented below in part:

> (the Fund) . . . may be invested at competitive national market rates . . . (and) . . . in making investments the commissioner of revenue shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds, considering the probable safety of capital as well as probable income . . . .[16]

It is worth noting that the 1978 legislation also redesignated as general grant land some 1,000,000 acres of Mental Health Grant Lands and some 100,000 acres of University of Alaska Grant Lands. Similar, but not identical, stipulations were made regarding designated funds and the percent of state land management revenues to be credited or appropriated to these other funds.

So, as the Early Statehood Period came to a close, Alaska had created a completely new method of managing the school lands and maintaining the Public School Permanent Fund. While the school lands would "disappear" into the general land holdings of the state, without any legal challenge, a new, and apparently potentially greater source of revenue was to be directed to the Fund, which would be renamed simply the Public School Fund (not to be confused with the School Fund, another designated state fund used to account for Cigarette Tax Funds).

## The Contemporary Period: Fiscal Years '79 - '83

The legislative changes in the status of the school lands, in the source of revenue for the Public School Fund, and in management of the Fund were to take effect in July 1978. Most changes were immediately implemented; some were not. Consequently, it is important at this point to examine each facet of the scheme, following the major sections of the new laws.

### School Land

Somewhat in excess of 103,000 acres of school land were redesignated as general grant land. This was the balance of more than 105,354 acres that had been patented to the state; 2,328 acres had been sold. The status of patented school land at the time of transfer, according to the Alaska Department of Natural Resources, is shown in Table 5 below. [20]

Table 5
Status of School Lands
August 1977

| Meridian in which located | Number of Acres | | | |
|---|---|---|---|---|
| | Patented | Sold | Leased | Balance |
| 1. Seward | 53,761 | 930 | 3,997 | 52,834 |
| 2. Fairbanks | 41,451 | 1,399 | 1,139 | 40,052 |
| 3. Copper River | 10,140 | -0- | [illegible]8 | 10,140 |
| Totals | 105,354 | 2,329 | 5,184 | 103,026 |

Additional acres of school land will be patented to the State. This is because at the time of statehood all eligible land had not been applied for, and all land applied for had not been patented to the State. Accounts of the potential additional acres vary. A Department of Natural Resources Report for 1977 stated that 109,211 acres of school land had been applied for (this includes the acres already patented);[20] other reports give the figure as 100,000.[21]

In a Department of Natural Resources document issued in 1982 on general grant lands, the school land is grouped with such other land entitlements as Cook Inlet Land Exchange (500,000 acres), Community Grant (400,000), Mental Health (1 million), National Forest Community Grant (400,000), and General Selection (102.6 million acres). These lands, plus the school lands, total 105 million acres, and are the state lands which are the source of receipts for the Public School Fund.[22]

The Alaska Department of Natural Resources is the state agency responsible for management of state lands. This Department's Division of Lands has its headquarters in Anchorage with branch operations in Juneau, Anchorage, and Fairbanks.

### State Land Receipts

Receipts credited to the Public School Fund from the management of state lands in Fiscal Year '79 totaled $1,308,259, more than twice the amount earned in the prior year under the old plan. For each of the three succeeding

years, receipts credited to the Fund exceeded $7,000,000 per year, and in Fiscal Year '83 totaled $9,450,241. Table 6 below shows Public School Fund Receipts, as reported in State of Alaska Annual Reports, consisting of one-half of one percent of all receipts received from the management of state land for this five-year period. The total receipts from management of state lands in Fiscal Year '83 was $1,890,048,200.[23]

Table 6
Alaska Public School Fund Receipts
FY '79 - '83

| Fiscal Year | Receipts Received |
|---|---|
| '79 | $1,308,259 |
| '80 | 7,141,900 |
| '81 | 7,441,245 |
| '82 | 7,205,764 |
| '83 | 9,450,241 |

While a large share of the increased receipts is due to sharing in a larger base of land, the bulk of the increase, beginning in Fiscal Year '80, is from oil production royalties. No severance taxes are included.

There are fifteen categories established for land management receipts. The categories, along with the code number for each, are as follows:

304 Oil gas lease royalties
305 Mineral royalties
306 Mineral rentals
525 Coal rental lease
527 Coal royalties
528 Sale state gravel
530 Offshore prospecting rent
532 Land lease rental
533 Mineral lease rent
534 Sale of state land
535 Sale of state timber
537 Bonus mineral lease
538 Tideland leases
539 Royalty gas property
747 Royalty oil production

One-half of one percent of the total receipts received for each category is credited to the Public School Permanent (sic) Fund, fund number 715, account 6200, in the Department of Natural Resources.[24] Initial accounting for these receipts is in the Department of Revenue Division of Lands accounting section in Anchorage. (It is of interest that the Alaska Permanent Fund receives a percentage of receipts from ten of the fund categories noted above; the ones it does not receive receipts from are (1) Sale state gravel, (2) Land lease rental, (3) Sale of state land, (4) Sale of state timber, and (5) Tideland leases.)

Public School Fund

The principal of the Fund increased dramatically each year due to increased receipts received from the management of state lands. Growth of principal averaged $6,509,482 per year for each of the five years beginning with Fiscal Year '79. The balances of the Fund in this contemporary period are shown below in Table 7.

Table 7
Alaska Public School Fund Balances
Fiscal Years '79 - '83

| Year | Balance |
|---|---|
| '79 | $ 9,840,198 |
| '80 | 16,982,098 |
| '81 | 24,423,343 |
| '82 | 31,629,107 |
| '83 | 41,079,348 |

The Fund itself is managed by the Treasury Division of the Department of Revenue. This Division is responsible for all Fund accounting and for making investments using the principal of the Fund. The actual money in this Fund is combined with other Agency and Trust funds managed by this Division but is accounted for separately.

The principal of the Fund can only increase, not decrease, since the law does not permit expenditures to be made from it. The only permitted use of the principal is for investments.

Fund Investments

As the principal of the Public School Fund grew, so did the amounts of dividends and interest earned from investments. These earnings are not put into the Fund but are transferred to the State's General Fund. Earnings of the Public School Fund (including the Merrill Field Trust which is a part of the Fund), as reported by the Department of Revenue, are shown below in Table 8, along with an estimated rate of return.[25]

Table 8
Investment Earnings and Rate of Return
Alaska Public School Fund
Fiscal Years '79 - '83

| Fiscal Years | Investment Earnings | Rate of Return |
|---|---|---|
| '79 | 694,574 | 7.55% |
| '80 | 629,247 | 9.30% |
| '81 | 1,752,124 | 10.46% |
| '82 | 3,152,772 | 13.11% |
| '83 | 3,908,606 | 11.68% |

Investment earnings are the amounts transferred to the State's General Fund, as reported by the Alaska Department of Revenue. The Rate of Return is an average rate; investment securities are listed in Appendix D.

Fund earnings come from investments in short- and long-term government securities and, beginning in 1981, certificates of deposit issued by various banks. In the June 30, 1983 listing, the size of security purchases ranges from a low of $250,000 to a high of $14,400,000, both for U.S. Treasury notes.[26] Interest rates vary from a low of 7.1 percent on Federal National Mortgage Association investments to a high of 14.625 percent on the previously mentioned large block of U.S. Treasury Notes. Maturity dates range from July 6, 1983 for Bank of America Certificates of Deposit, to July 12, 2012 for Washington Metropolitan Transit Bonds.

Par value of the securities on hand June 30, 1983 was $40,720,000; book value was $40,206,053.91. Investments are held in the following:

Bank of America (CA) Certificates of Deposit
Manufacturers Hanover Trust (NY) Certificate of Deposit
Bankers Trust (NY) Certificates of Deposit
Federal Land Bank Notes
U.S. Treasury Notes
Tennessee Valley Authority Bonds
Federal National Mortgage Association
General Services Administration
Washington Metropolitan Transit Bonds

U.S. Treasury Notes account for $15,550,000 of the investment, and the next largest amount is $5,500,000 in Certificates of Deposit issued by Bankers Trust. The complete list of securities being held or which have matured during the past five fiscal years is in Appendix D.

All securities are kept at Seattle First National Bank (SEAFIRST) which acts as safekeeping agent for the Alaska Department of Revenue. Interest and dividend payments are transmitted from SEAFIRST to the Department of Revenue which then credits the State's General Fund with these revenues. Funds recovered on matured securities are reinvested based upon instructions to the safekeeping agent from the Treasury Division of the Department of Revenue.

Advisory Board

Although stipulated in the 1978 legislation, the Public School Fund Advisory Board was not created and did not meet during the five years ending June 30, 1983.[27] Thus it did none of the things it was directed to do.

Figure 3 which follows shows the operation of the Public School Fund during the five-year Contemporary Period beginning July 1, 1978.

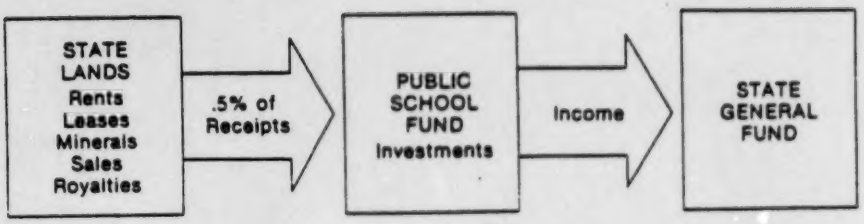


**Fig. 3. Public School Fund Model: Contemporary Period**

New Land Grant

A major event of the period occurred in 1980 when Congress granted Alaska an additional 75,000 acres of school land. This grant, stipulated in Public Law 96-487,the Alaska National Interest Lands Conservation Act (ANILCA) provided for a school lands settlement which stated, in part:

> In full and final settlement of any and all claims by the State of Alaska arising under the Act of March 4, 1915 (38 Stat. 1214), as confirmed and transferred in section 6 (k) of the Alaska Statehood Act, the State is hereby granted seventy-five thousand acres which it shall be entitled to select until January 4, 1994, from vacant, unappropriated, and unreserved public lands. In exercising the selection rights granted herein, the State shall be deemed to have relinquished all claims to any right, title, or interest to any school lands which failed to vest under the above statutes at the time Alaska became a State . . . . Lands selected and conveyed to the State under this subsection shall be subject to the provisions of subsections (j) and (k) of the Alaska Statehood Act.[28]

The purpose of this legislation was to provide additional land in consideration of school lands not transferred earlier to the Territory because the designated sections (under the Act of March 4, 1915) were withdrawn, reserved, or otherwise appropriated. That additional school land might be granted to the state was known prior to 1978 as provisions for ANILCA were being developed.[29]

Mental Health Lands and University Lands

The status of Mental Health Lands, involving more than 1,000,000 acres, and University lands, over 110,000 acres, must be mentioned here because the 1978 legislation also redesignated them as general grant lands, and established separate trust funds and specified advisory boards for each. A 1979 report prepared for the House Finance Committee had this to say, in part, about the 1978 law:

> . . . the law has been less than a total success. The University of Alaska, given the option of turning down the trust fund and keeping the land, did so. So the University retains its 110,000 acres and no trust fund for the University was set up. A mental health account was finally created in 1979 (account 716), but . . . there is no money in it . . . (the law required sums equivalent to one and one-half percent of land management revenues to be appropriated to this fund) and . . . the legislature has not appropriated any money to the fund . . . (and) . . . there have been no meetings of the advisory board . . . to determine investments and use of the mental health money.[30]

As of June 30, 1983, the Mental Health Fund still had a zero balance and the matter was in litigation.[31] Subsequent legislative action was taken regarding the University lands; the lands were not classified as general grant lands and the trust fund for land receipts was established.

As the five-year contemporary period drew to a close on June 30, 1983, Alaska's new Public School Fund showed a balance of more than $41,000,000, earnings in the last fiscal year had exceeded $3,000,000, and the prospect that additional acres of school land would be granted to Alaska was a reality.

## A Permanent Fund for Education

The Alaska Permanent Fund is the prime example of the State's commitment to put aside some current revenues in a manner that will provide growing interest and dividend income in future years. A Constitutional Amendment in 1976 established the Fund and 25 percent of the State's oil, gas, and mineral income is credited to it each year. Additional revenues may be appropriated to the Fund, and investment earnings of the Fund itself can be put into the Fund. Like the Public School Fund, the principal of the Alaska Permanent Fund cannot be used for any purpose other than to produce earnings which can be spent for public services.

A recommendation to double the revenues put into the Alaska Permanent Fund was made by the Alaska Growth Policy Council in its 1981 Report to the Governor, which gave as its rationale the following:

> Despite a large surplus of oil revenue enjoyed by the state today, a matter of unavoidable public concern remains the ability of government to sustain current levels of service to the public when Prudhoe Bay revenues are in decline. Thus the primary objective of policies governing surplus wealth management should be to provide an income stream capable of supporting minimum levels of service indefinitely.[32]

Proposals to save for future use more of Alaska's current revenues, primarily from oil royalties, are still common. In a recent editorial, the Anchorage Daily News observed that State policymakers are discussing this possibility, and went on to explain one way of doing it:

> The mechanism is simple: investing heavily out of current revenues in the Alaska Permanent Fund--that is, 'front-loading' it. The aim is equally simple: to put the money away now to build an endowment that later will sustain basic services and keep taxes down rather than spending it now on things that later cannot be used or maintained.[33]

The need for public school support funds in the future has led to numerous suggestions that there be an endowment fund for education. In surveys conducted in 1982 as part of the Alaska school finance study, it was reported that:

> "(educators) . . . are concerned, however, that since state aid provides such a high proportion of all support, mechanisms need to be created to assure the availability of funds in the future. A permanent education fund has been suggested as one approach to accomplish that end."[34]

Another recent suggestion to consider saving funds now for education costs later was made in the fall of 1982 by Governor Sheffield's Transition Task Force which stated:

> Several proponents of an educational endowment have noted that even under modest growth forecasts, public education costs will exceed one billion dollars before the end of the decade. These proponents have argued that because almost all of these revenues are directly linked to finite oil revenues, prudence argues that the state embark on a long-term savings and investment investment program, similar to what existed in Alaska Alaska during territorial days under the federal public education trust lands program.[35]

The merit of an endowment for elementary and secondary education, in this case for school construction, was suggested in a recent survey of small school superintendents by a respondent who stated:

> I'd like to see a permanent fund or endowment set up which would produce a predictable amount of money, for example, $40 million per year for school construction. That money would be administered by the Commissioner of Education in some priority order similar to the criteria the Department is currently using. I'd like to see the end of pet projects and pork barreling. If an endowment fund is the answer, then I would support it.[36]

According to a recent U.S. Office of Education report, several other states have fairly substantial amounts of earnings from their permanent school funds.[37] Some of these states are listed in Table 9, along with the amount of permanent fund earnings used to support the public schools.

Table 9
Public School Permanent Fund Earnings
Selected States
Fiscal Year '79

| State | Earnings |
|---|---|
| Arizona | $10,642,402 |
| Colorado | 25,000,000 |
| Idaho | 8,000,000 |
| Minnesota | 15,000,000 |
| New Mexico | 63,400,000 |
| Oklahoma | 6,000,000 |
| Oregon | 5,000,000 |
| South Dakota | 6,462,643 |
| Utah | 6,900,000 |
| Wyoming | 12,277,349 |

The U.S. Office of Education report indicated that the South Dakota earnings provided 15.85 percent of state aid that year, while earnings in Wyoming provided 18 percent of state support for the schools that year. Oregon put its earnings into its Common School Fund before distributing it to the schools on a student Average Daily Membership basis. In Wyoming, the earnings were distributed at $105 per census child. All of the states cited above accounted for permanent fund earnings separately, either by maintaining a separate

account or by putting them into a foundation account; none apparently credited the interest to the State's General Fund.

At least one Alaska community, the City and Borough of Sitka, established its own Permanent Fund using some $10,000,000 in revenues built up over the past few years. In the Charter Amendment approved on October 4, 1983, the permanent fund was to be maintained separately, and

> The principal of the fund shall be invested in such types of income-producing investments as are hereafter specifically designated by ordinance. All income from the permanent fund shall be deposited in the General Fund.[38]

As indicated earlier, state revenues from oil, gas, and mineral income are predicted to decline in the near future. These revenues have been providing about 80 percent of the State's General Fund, which is the primary source of support for the public schools. If the General Fund is diminished in size, fewer dollars will be available for sustaining public services, including elementary and secondary education.

Meanwhile, state support of public schools has been increasing at the rate of 20 percent per year for the past seven years, reaching a total of $535,453,000 in Fiscal Year '83. Note that this is not the total cost of operating the public schools, just the share that the state has been providing. The amount of this state aid, which includes the foundation program, transportation, debt retirement assistance, construction and insurance assistance, non-resident tuition, teachers' retirement contributions, special education out-of-state, juveniles in detention, and contract schools, is shown below in Table 10.

Table 10
State Aid and Shared Revenue
to District Schools in Alaska
Fiscal Years '77 - '83

| Fiscal Year | State Support |
|---|---|
| '77 | $165,190,000 |
| '78 | 180,776,000 |
| '79 | 207,557,000 |
| '80 | 223,588,000 |
| '81 | 356,815,000 |
| '82 | 433,676,000 |
| '83 | 535,453,000 |

If this revenue source continues to increase at the rate of 20 percent annually, a total of $1,110,316,000 would be required in Fiscal Year '87. If this source increased only 10 percent annually, the billion dollar requirement wouldn't be reached until Fiscal Year '90. See Figure 4 for current and projected state support of public schools based upon increases of 7.5 percent, 10 percent, and 20 percent. The projections used in Figure 4 are shown in Appendix E. As Figure 4 shows, the amounts of state support are large and

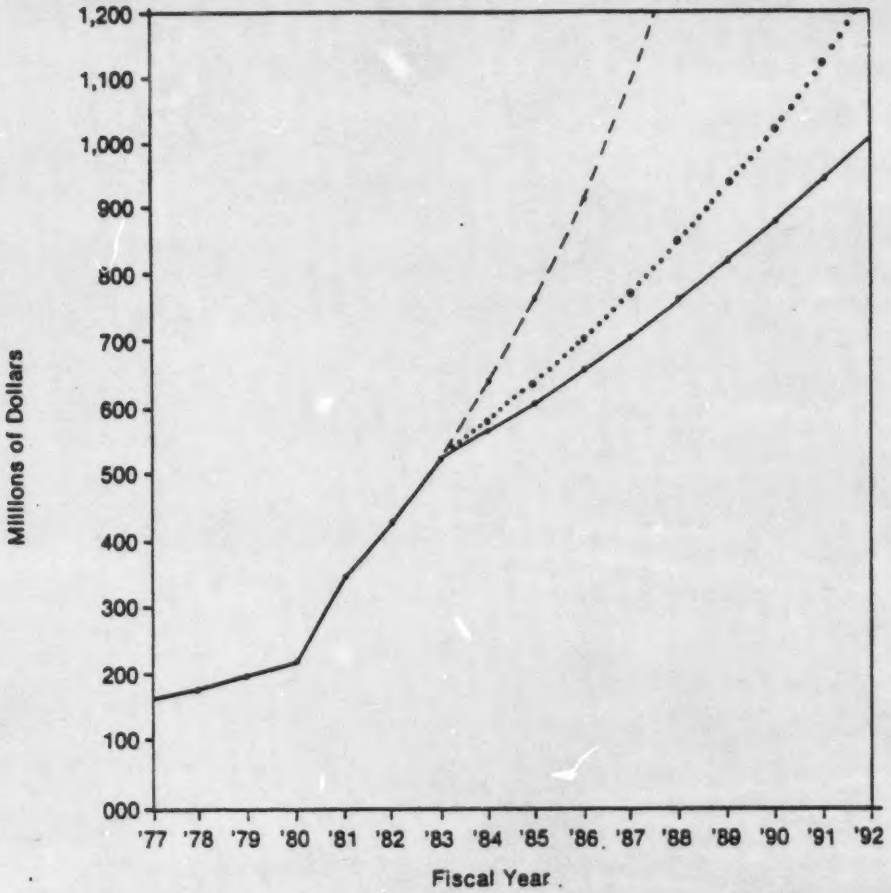


**Fig. 4. Alaska State Aid and Shared Revenue to District Schools**

growing, and attention should be given now as to where the revenues are to come from for this support.

The prospect of an alternate source of revenue for state support of public schools should be welcomed by legislators, school board members, educators, and others. Such an alternate source of revenue could reduce the proportion of state aid appropriated to school districts from the General Fund. It could slow the increase in local revenues needed from property taxes for the city and borough school districts. Such a new revenue source might even be a replacement for local property taxes in the cities and boroughs. If distributed to all school districts on a student average daily membership basis it could give the state-supported Regional Educational Attendance Area districts a substitute for local tax revenues to which they have no access.

The Public School Fund could be an alternative, and perhaps major source of revenue, for state aid to schools if the percent of land management receipts going into the Fund would be increased. Fund investment earnings for the next few years could be returned to further increase the principal of the Fund. Close attention could be paid to the management of the investments in order to increase the rate of return. The recent federal grant of additional school lands could be carefully managed to produce additional revenues to the Fund; the identity of this land could be maintained and it could be withheld from the pool of state general grant land. These are only a few of the possibilities that would enable the Public School Fund to become a substantive endowment fund for public elementary and secondary education in Alaska.

Increasing the percent of land management receipts credited to the Fund would offer the best method for the Fund to become an endowment resource of some magnitude. Examining the potential of this method requires (1) projections of land management receipts, and (2) application of various options which divert larger amounts of these receipts into the Fund.

Projections of land management receipts for Fiscal Years '84 - '86 are based on Alaska Department of Revenue figures; estimates were made for succeeding years. Annual receipts were decreased a little over two percent starting in Fiscal Year '87. This reduction recognizes a predicted decline in mineral leases and revenues from oil and gas royalties but anticipates a modest increase in receipts from land leases, rentals, and sales. The overall intent was to present a conservative estimate of land management receipts. Projections of land management receipts are shown in Table 11.

Table 11
Estimates of State Land Management Receipts
Fiscal Years '83-'92

| Fiscal Year | Estimates of Receipts |
|---|---|
| '83 (actual) | $1,882,605,800 |
| '84 | 1,394,000,000 |
| '85 | 1,450,000,000 |
| '86 | 1,594,400,000 |
| '87 | 1,570,000,000 |
| '88 | 1,540,000,000 |
| '89 | 1,500,000,000 |
| '90 | 1,460,000,000 |
| '91 | 1,420,000,000 |
| '92 | 1,380,000,000 |

Options of varying amounts of land management receipts to credit to the Fund follow:

1. credit one-half of one percent of all land management receipts to the Fund (the current statutory rate)

2. credit five percent of land management receipts to the Fund, or

3. credit ten percent of land management receipts to the Fund.

If receipts continue at the rate of one-half of one percent (Option 1), the estimated Fund balance in Fiscal Year '92 would be $107,621,000. If the rate were increased to five percent (Option 2), the estimated Fund balance in Fiscal Year '92 would be $643,769,000. If the rate were set at ten percent (Option 3), the estimated Fund balance would reach $1,101,489 in Fiscal Year '91 and $1,239,489,000 in Fiscal Year '92. Figure 5 displays the estimated Fund balances using these three options. Estimated Fund balances for each option through Fiscal year '92 are shown in Appendix F.

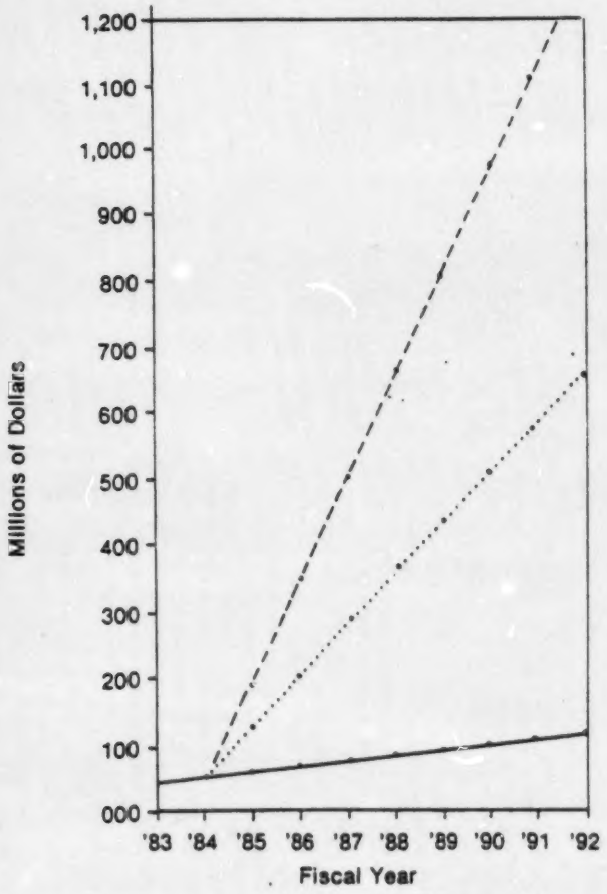


Fig. 5. Alaska Public School Fund Balances

Estimates Based on
10.0% of land management receipts - - - -
5.0% of land management receipts .....
.5% of land management receipts ———

A proportionate increase in investment earnings, and in funds available for the support of public schools, would occur if an increased percent of land management receipts were to be credited to the Fund. Increased Fund earnings could then provide a needed and alternate revenue source for support of the schools. Estimated investment earnings of the Fund, computed at 10 percent on the average balance of the Fund each year for each of the three options described earlier, are presented in Table 12.

Table 12
Estimated Investment Earnings
Public School Fund
Fiscal Year '84 through '92

| Fiscal Year | Investment Earnings Millions of Dollars | | |
|---|---|---|---|
| | Option 1 | Option 2 | Option 3 |
| '84 | 4.5 | | |
| '85 | 5.2 | 8.4 | 12.1 |
| '86 | 5.9 | 16.0 | 27.3 |
| '87 | 6.7 | 23.9 | 43.1 |
| '88 | 7.5 | 31.7 | 58.6 |
| '89 | 8.3 | 39.3 | 73.8 |
| '90 | 9.0 | 46.7 | 88.6 |
| '91 | 9.7 | 53.9 | 103.0 |
| '92 | 10.4 | 60.9 | 117.0 |

Clearly the major way to increase the earnings of the Fund is to increase the principal so there is more money to invest. Besides options two and three noted above (or a variation of them), the principal could be increased more rapidly by depositing the investment earnings into the Fund for a time, say 5 to 10 years. Following this period, even larger amounts of investment earnings would be available for the support of the schools.

Fund investment practices also affect the amount of investment revenues available each year. The average rate of return on Public School Fund investments for the five-year period just ended, presented earlier in Table 8, is compared in Table 13 with the rate of return on investments in the Alaska Permanent Fund.[39] The Alaska Permanent Fund has outperformed the Public School Fund, due in part to a number of long-term Public School Fund investments with interest rates that are low by today's market standards, but which were the prevailing rates at the time the securities were purchased.

Table 13
Rate of Return on Investment
Alaska Public School Fund,
Alaska Permanent Fund
Fiscal Years '79 - '83

| Fiscal Year | Rate of Return: Public School Fund | Rate of Return: Permanent Fund |
|---|---|---|
| '79 | 7.55 | 8.24% |
| '80 | 9.30 | 11.29% |
| '81 | 10.46 | 16.00% |
| '82 | 13.11 | 15.10% |
| '83 | 11.68 | 12.76% |

The existence of the Alaska Permanent Fund is evidence that the people of Alaska want to invest current excess revenues now in a manner that will provide substantive state revenues later when oil, gas, and mineral royalty income is expected to decline. Putting more than the obligated 25 percent of oil, gas, and mineral royalty income into the Alaska Permanent Fund does occur and may continue.

Recommendations have been made to have an endowment fund for elementary and secondary education. It would serve the same purpose for education as the Alaska Permanent Fund does for other state programs. However, Alaska already has an endowment fund for education: The Public School Fund. This Fund, which had a balance of over $41 million June 30, 1983, could become a potent resource for public school support if the amount of money put into the principal of the Fund were increased substantially.

If deposits into the Fund were increased from one-half of one percent of State of Alaska land management receipts, to ten percent of these receipts, the Fund balance would exceed $1 billion dollars in 1991 and could be providing investment revenues in excess of $100 million dollars annually for the support of elementary and secondary education. Clearly this would provide a welcome alternate revenue source and would demonstrate Alaska's commitment to school support in the future when current major state revenue sources are expected to be much less than today.

## Summary and Recommendations

### Summary

The purpose of this paper was to examine the development and status of Alaska's Public School Fund and its potential as a major source of revenue for elementary and secondary education. The Fund, created following the 1915 federal school lands grant to Alaska, was examined in three periods: the 1916-58 Territorial Period, the 1959-78 Early Statehood Period, and the 1979-83 Contemporary Period. The treatment and status of school lands, which until mid-1978 was the major source of revenue for the Fund, was examined, as were the legislative changes made in the status of the Fund and the land that year. A recent federal grant of additional school lands was noted. Finally, the case for an endowment fund for public education was presented, and a method whereby the Public School Fund might become such a fund--a Permanent Fund for Education--was described.

### Recommendations

The evidence and options presented in the paper support six recommendations for action. These recommendations follow:

1. Increase the amount of land management receipts deposited in the Public School Fund.

Increasing the amount of land management receipts deposited in the Public School Fund will cause the principal to increase. A larger principal will permit more funds to be invested and, subsequently, there will be larger amounts of investment earnings to use for public school support.

An amendment to the current statute changing ". . . one-half of one percent . . . " to " . . . ten percent . . ." of land management receipts, for example, is all that would be required. Of course, the percent could even be larger, which would result in the Fund growing more rapidly. The potential of the Fund as a major source of revenue for the support of Alaska's public schools will be realized only if this major change is made.

Consideration should also be given to setting a specific amount which must be in the Fund before investment income is distributed; during this period investment income would be put back into the Fund to increase the principal. Specifying a "goal amount" for the principal, for example, would enable the Fund to generate investment income of sufficient magnitude to make a real impact on the school support program when investment income distribution is resumed.

Another consideration would be to "inflation-proof" the Fund by depositing amounts sufficient to keep the value of the Fund constant in real dollars.

2. Manage the Fund to achieve the maximum rate of return on investments.

The Public School Fund Advisory Board is charged to prepare (1) an annual accounting of the principal and income of the Fund, and (2) long-range

investment plans for the Fund. It is also directed to approve the investments of the principal of the fund. Although this Board was authorized in 1978, it did none of these things, as it was not organized until November, 1983, when it met for the first time.[40]

(Information about the Fund is available from the Department of Revenue, but not in published form that one might expect from the statutory directive. Fund balances are published, but this summary information provides little insight into the financial activity for the year. There is no long-range investment plan for the Fund.)

The Public School Fund Advisory Board should carry out all its statutory duties, subsuming under its charges to prepare a long-range investment plan and to approve investments such aspects as: (1) the amount and use of interest earned on the cash balances of the Fund, (2) the arrangement with SEAFIRST, the agent bank, especially with regard to disposition of interest earned on cash on hand after a security matures or is sold and before the principal is reinvested, (3) the nature of Fund management by the Department of Revenue, especially the decision process in the purchase and sale of securities, and (4) the rate of return on the investments. Everything possible should be done to keep the rate of return high on Fund investments.

3. Credit investment income of the Fund to a designated public school support account.

Crediting the Fund's investment earnings to a designated public school support account, such as the public school foundation account or an account established to distribute funds in lieu of local tax revenues, will show clearly that the use of these funds is for the benefit of the schools, since all school districts would receive disbursements from these accounts. This procedure would show full compliance with the statutes.

The practice since Alaska became a state has been to post the Fund's investment earnings directly to the State's General Fund. The contention is that since the amount of earnings placed in the General Fund is less than the General Fund appropriation for support of schools then the intent of the law is being met. Even during the Territorial Period, income from the Public School Permanent Fund was credited to the Public School Current Fund from which disbursements were made for support of the schools. This may seem like a minor point, but as earnings from the Public School Fund increase, it will be important to recognize these earnings as a revenue source apart from General Fund appropriations for school support.

4. Conduct frequent outside audits of the Fund.

According to all available information, the Fund has not had an outside audit since Fiscal Year '74. The audits should be conducted as is the practice now, by the audit division of the Legislative Budget and Audit Committee. Audit division reviews should be conducted for Fiscal Years '78, '79, and '83 or '84.

The examination of Fiscal Year '78 is important as that was the last year for Fund receipts to come solely from school lands. Fiscal Year '79

should be examined since this was the first year of operation when the Fund was credited with a percentage of receipts from the management of all state general grant lands. Future outside audits should be conducted, on a minimum, every five years.

5. Select and manage the 75,000 acres of school land granted additionally in 1980 in a manner that will provide maximum income to the Fund.

While the location of the first school lands was predetermined, i.e., sections 16 and 36 of surveyed townships, no such stipulation governs the new grant; land may be selected from vacant, unappropriated, and unreserved lands. Thus, the new federal grant of land offers Alaska the opportunity to select land which will generate high amounts of lease, mineral, or rental income.

Having this land separate from the pool of state general grant land, but still managed by the State Department of Natural Resources, would be a way to meet the intent of the original federal and statehood legislation while recognizing current management practices. Above all, the land should not be put into the pool of general grant land, as was the case with the previous school lands, without a serious study of the consequences. For one thing, the value of this new land must be considered, for at an estimated $7,500 per acre, the 75,000 acres could be worth $562,600,000. Another consideration would be to prohibit sales of any land if greater overall return to the Fund would result. Or some of the land might be used for school sites, or traded for school sites, especially in the Unorganized Borough where there have been problems with gaining title to some Regional Educational Attendance Area school sites and former Bureau of Indian Affairs school sites.[41]

6. Conduct further definitive studies to enable Alaska to capitalize on the Fund and the new grant of school lands.

Several areas of study and development which could be pursued include:

1. a review of options for increasing the principal of the Fund
2. a long-range plan for obtaining maximum income on the principal of the Fund
3. a comprehensive analysis of the Fund management for Fiscal Years '79 through '83
4. a review of school land and permanent fund management practices in other states
5. a plan for selection and management of the new grant of school land
6. a plan for utilization of Fund investment revenues.

## Notes

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22. Ibid.

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24. Ibid.

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APPENDIX A

Fund Balances
Alaska Public School Permanent Fund
1918-1958

| Period ending | Cash | Investments | Total |
|---|---|---|---|
| 1918 (Dec. 31) | 153.04 | | 153.04 |
| 1920 | 158.04 | | 158.04 |
| 1922 | 529.20 | | 529.20 |
| 1924 | 119.25 | 500.00 | 619.25 |
| 1926 | 159.25 | 500.00 | 659.25 |
| 1928 | 191.75 | 500.00 | 691.75 |
| 1930 | 235.25 | 500.00 | 735.25 |
| 1932 | 2,503.25 | 500.00 | 3,003.25 |
| 1934 | 2,599.25 | 500.00 | 3,099.25 |
| 1936 | 3,985.50 | NA | NA |
| 1938 | 5,045.48 | NA | NA |
| 1940 | 5,631.48 | NA | NA |
| 1942 | 7,393.98 | NA | NA |
| 1944 | 8,740.48 | NA | NA |
| 1946 | 10,122.98 | NA | NA |
| 1948 | 13,997.73 | NA | 13,997.73 |
| 1950 | 18,749.50 | NA | 18,749.50 |
| 1952 | 6,534.67 | 20,000.00 | 26,534.00 |
| 1954 | NA | NA | 35,892.43 |
| 1956 | NA | NA | 43,820.93 |
| 1958 | 68,566.23 | 93,133.80 | 161,700.03 |

APPENDIX B

Fund Balances and Investment Income
Alaska Public School Fund
Fiscal Years '59-'78

| Fiscal Year | Fund Balance | | | Investment Income |
|---|---|---|---|---|
| | Cash | Investments | Total | |
| '59 | 163,970.02 | 93,133.80 | 257,003.82 | NA |
| '60 | 31,985.38 | 232,389.18 | 264,389.14 | NA |
| '61 | 38,761.36 | 405,650.36 | 444,411.56 | NA |
| '62 | 56,543.27 | 558,389.29 | 614,932.56 | NA |
| '63 | 77,117.89 | 757,416.57 | 834,534.66 | NA |
| '64 | 24,036.80 | 1,019,244.10 | 1,043,281.00 | 35,488.07 |
| '65 | 21,966.77 | 1,265,171.89 | 1,287,138.66 | 40,246.78 |
| '66 | 18,609.36 | 1,553,510.69 | 1,572,120.06 | 53,057.64 |
| '67 | 59,283.88 | 1,761,206.57 | 1,820,490.45 | 65,731.65 |
| '68 | 42,963.79 | 1,960,311.57 | 2,003,275.36 | 74,683.22 |
| '69 | 125,208.45 | 2,375,263.34 | 2,500,471.79 | 85,953.92 |
| '70 | 83,599.00 | 2,648,128.00 | 2,731,727.00 | 134,099.46 |
| '71 | 71,191.00 | 2,946,841.00 | 3,018,032.00 | 141,052.38 |
| '72 | 14,925.00 | 3,395,928.00 | 3,410,853.00 | 216,663.71 |
| '73 | 3,053.00 | 3,903,193.00 | 3,906,247.00 | 213,938.55 |
| '74 | 37,574.00 | 4,922,818.00 | 4,960,393.00 | 316,729.00 |
| '75 | | | 5,385,291.00[1] | |
| | | | 791,559.00[1] | |
| | 862,094.00 | 5,314,756.00 | 6,176,850.00 | 370,210.42 |
| '76 | | | 5,930,337.00[1] | |
| | | | 1,005,754.00[1] | |
| | 192,772.00 | 6,743,318.00 | 6,936,091.00 | 426,662.50 |
| '77 | | | 6,610,652.00[1] | |
| | | | 1,189,575.00[1] | |
| | 209,045.00 | 7,591,182.00 | 7,800,277.00 | 487,938.02 |
| '78 | | | 7,155,716.00[1] | |
| | | | 1,376,222.00[1] | |
| | 140,854.00 | 8,391,085.00 | 8,531,939.00 | 560,489.97 |

1. Merrill Field Trust Fund Balance.

APPENDIX C

Fund Balances and Investment Income
Alaska Public School Fund
Fiscal Years '79 - '83

| Period | | Fund Balance Cash | Fund Balance Investments | Fund Balance Total | Investment Income 4 |
|---|---|---|---|---|---|
| FY '79 | Public School Trust | | | 8,154,590.00 | |
| | Merrill Field Trust | | | 1,685,608.00 | |
| | Combined Balances | 1,459,113.00 | 8,381,085.00 | 9,840,198.00 | 694,574.00 |
| FY '80 | Public School Trust | | | 15,265,600.00 | |
| | Merrill Field Trust | | | 1,716,498.00 | |
| | Combined Balances | 991,013.00 | 15,991,085.00 | 16,982,098.00 | 629,247.00 |
| FY '81 | Public School Trust | | | 21,811,265.00 | |
| | Merrill Field Trust | | | 2,612,078.00[1] | |
| | Combined Balances | 2,447,289.00 | 21,976,054.00 | 24,423,343.00 | 1,752,124.00 |
| FY '82 | Public School Trust | | | 29,805,642.00 | |
| | Merrill Field Trust | | | 1,823,465.00[2] | |
| | Combined Balances | 1,254,147.00 | 30,374,960.00 | 31,629,107.00 | 3,152,772.00 |
| FY '83 | Public School Trust | | | 39,255,883.00 | |
| | Merrill Field Trust | | | 1,823,465.00[3] | |
| | Combined Balances | 873,294.00 | 40,206,054.00 | 41,079,348.00 | 3,908,606.00 |

Notes:

1. $895,580.00 was transferred from the Public School Trust to the Merrill Field Trust.
2. $788,613.00 was transferred to the General Fund from the Merrill Field Trust.
3. Unchanged from prior year figure.
4. Investment Income is amount credited to the State General Fund.

APPENDIX D

Public School Fund Investments: Fiscal Years '79-'83

Fund Investments: Fiscal Year '79

| Purchase Date | Security | Par Value | Interest | Maturity Date |
|---|---|---|---|---|
| 10/23/73 | Federal Land Bank Bonds | $ 750,000 | 7.3 % | 10/20/83 |
| 09/25/74 | Tenn. Valley Authority Bonds | 2,050,000 | 7.35 | 05/01/97 |
| 10/27/72 | Federal National Mortgage Cap. Deb. | 2,500,000 | 7.40 | 10/01/97 |
| 03/06/74 | Federal National Mortgage Assoc. | 300,000 | 7.10 | 12/10/97 |
| 12/21/72 | General Services Administration | 590,000 | 7.15 | 12/15/02 |
| 11/10/72 | Washington Metro Transit Bonds | 800,000 | 7.30 | 07/01/12 |
| 01/13/77 | U.S. Treasury Notes | 300,000 | 6.125 | 02/15/82 |
| 05/16/77 | U.S. Treasury Notes | 300,000 | 7.25 | 02/15/84 |
| 08/16/76 | U.S. Treasury Bonds | 250,000 | 8.00 | 08/15/86 |
| 05/23/78 | U.S. Treasury Bonds | 805,000 | 8.25 | 05/15/88 |

Fund Investments: Fiscal Year '80

| Purchase Date | Security | Par Value | Interest | Maturity Date |
|---|---|---|---|---|
| 10/23/73 | Federal Land Bank Bonds | $ 750,000 | 7.3 % | 10/20/83 |
| 09/25/74 | Tenn. Valley Authority Bonds | 2,050,000 | 7.35 | 05/01/97 |
| 10/27/72 | Federal National Mortgage Cap. Deb. | 2,500,000 | 7.40 | 10/01/97 |
| 03/06/74 | Federal National Mortgage Assoc. | 300,000 | 7.10 | 12/10/97 |
| 12/21/72 | General Services Administration | 590,000 | 7.15 | 12/15/02 |
| 11/10/72 | Washington Metro Transit Bonds | 800,000 | 7.30 | 07/01/12 |
| 01/13/77 | U.S. Treasury Notes | 300,000 | 6.125 | 02/15/82 |
| 05/16/77 | U.S. Treasury Notes | 300,000 | 7.25 | 02/15/84 |
| 08/16/76 | U.S. Treasury Bonds | 250,000 | 8.00 | 08/15/86 |
| 05/23/78 | U.S. Treasury Bonds | 805,000 | 8.25 | 05/15/88 |
| *02/20/80 | Wells Fargo Bank Cert. of Deposit | 6,300,000 | 14.80 | 08/20/80 |
| *05/07/80 | Federal National Mortgage Assoc. | 1,280,000 | 10.00 | 04/10/81 |

Note: An asterisk preceding the purchase date indicates a purchase in that Fiscal Year; an asterisk following the maturity date indicates a maturing investment in that Fiscal Year.

## Funds Investments: Fiscal Year '81

| Purchase Date | Security | Par Value | Interest | Maturity Date |
|---|---|---|---|---|
| 10/23/73 | Federal Land Bank Bonds | $ 750,000 | 7.3 % | 10/20/83 |
| 09/25/74 | Tenn. Valley Authority Bonds | 2,050,000 | 7.35 | 05/01/97 |
| 10/27/72 | Federal National Mortgage Cap. Deb. | 2,500,000 | 7.40 | 10/01/97 |
| 03/06/74 | Federal National Mortgage Assoc. | 300,000 | 7.10 | 12/10/97 |
| 12/21/72 | General Services Administration | 590,000 | 7.15 | 12/15/02 |
| 11/10/72 | Washington Metro Transit Bonds | 800,000 | 7.30 | 07/01/12 |
| 01/13/77 | U.S. Treasury Notes | 300,000 | 6.125 | 02/15/82 |
| 05/16/77 | U.S. Treasury Notes | 300,000 | 7.25 | 02/15/84 |
| 08/16/76 | U.S. Treasury Bonds | 250,000 | 8.00 | 08/15/86 |
| 05/23/78 | U.S. Treasury Bonds | 805,000 | 8.25 | 05/15/88 |
| 02/20/80 | Wells Fargo Bank Cert. of Deposit | 6,300,000 | 14.80 | 08/20/80* |
| 05/07/80 | Federal National Mortgage Assoc. | 1,280,000 | 10.00 | 04/10/81* |
| *08/05/80 | U.S. Treasury Notes | 1,350,000 | 8.875 | 06/30/84 |
| *08/20/80 | Bank of America C.D. | 6,300,000 | 10.50 | 02/18/81* |
| *10/03/80 | U.S. Treasury Notes | 1,100,000 | 11.875 | 09/30/82 |
| *12/03/80 | U.S. Treasury Notes | 1,000,000 | 13.875 | 11/30/82 |
| *02/19/81 | Bank of America C.D. | 7,900,000 | 16.375 | 08/19/81 |
| *04/08/81 | Bank of America C.D. | 1,000,000 | 14.625 | 10/07/81 |
| *04/10/81 | Bank of America C.D. | 1,300,000 | 14.875 | 10/07/81 |

## Fund Investments: Fiscal Year '82

| Purchase Date | Security | Par Value | Interest | Maturity Date |
|---|---|---|---|---|
| 10/23/73 | Federal Land Bank Bonds | $ 750,000 | 7.3 % | 10/20/83 |
| 09/25/74 | Tenn. Valley Authority Bonds | 2,050,000 | 7.35 | 05/01/97 |
| 10/27/72 | Federal National Mortgage Cap. Deb. | 2,500,000 | 7.40 | 10/01/97 |
| 03/06/74 | Federal National Mortgage Assoc. | 300,000 | 7.10 | 12/10/97 |
| 12/21/72 | General Services Administration | 590,000 | 7.15 | 12/15/02 |
| 11/10/72 | Washington Metro Transit Bonds | 800,000 | 7.30 | 07/01/12 |
| 01/13/77 | U.S. Treasury Notes | 300,000 | 6.125 | 02/15/82* |
| 05/16/77 | U.S. Treasury Notes | 300,000 | 7.25 | 02/15/84 |
| 08/16/76 | U.S. Treasury Bonds | 250,000 | 8.00 | 08/15/86 |
| 05/23/78 | U.S. Treasury Bonds | 805,000 | 8.25 | 05/15/88 |
| 08/05/80 | U.S. Treasury Notes | 1,350,000 | 8.875 | 06/30/84 |
| 08/20/80 | Bank of America Cert. of Deposit | 6,300,000 | 10.50 | 02/18/81* |
| 10/03/80 | U.S. Treasury Notes | 1,100,000 | 11.875 | 09/30/82 |
| 12/03/80 | U.S. Treasury Notes | 1,000,000 | 13.875 | 11/30/82 |
| 02/19/81 | Bank of America Cert. of Deposit | 7,900,000 | 16.375 | 08/19/81* |
| [illegible]/08/81 | Bank of America Cert. of Deposit | 1,000,000 | 14.625 | 10/07/81* |
| [illegible]'81 | Bank of America Cert. of Deposit | 1,300,000 | 14.875 | 10/07/81* |
| [illegible] | Bank of America C.D. | 11,600,000 | 18.10 | 02/16/82* |
| [illegible] | First Interstate Bank | 3,100,000 | 16.00 | 04/15/82* |
| [illegible] | U.S. Treasury Notes | 14,193,000 | 14.625 | 02/15/85 |
| *04/05/82 | Bank of America C.D. | 4,700,000 | 14.50 | 10/01/82 |

Fund Investments: Fiscal Year '83

| Purchase Date | Security | Par Value | Interest | Maturity Date |
|---|---|---|---|---|
| 10/23/73 | Federal Land Bank Bonds | $ 750,000 | 7.3 % | 10/20/83 |
| 09/25/74 | Tenn. Valley Authority Bonds | 2,050,000 | 7.35 | 05/01/97 |
| 10/27/72 | Federal National Mortgage Cap. Deb. | 2,500,000 | 7.40 | 10/01/97 |
| 03/06/74 | Federal National Mortgage Assoc. | 300,000 | 7.10 | 12/10/97 |
| 12/21/72 | General Services Administration | 590,000 | 7.15 | 12/15/02 |
| 11/10/72 | Washington Metro Transit Bonds | 800,000 | 7.30 | 07/01/12 |
| 05/16/77 | U.S. Treasury Notes | 300,000 | 7.25 | 02/15/84 |
| 08/16/76 | U.S. Treasury Bonds | 250,000 | 8.00 | 08/15/86 |
| 05/23/78 | U.S. Treasury Bonds | 805,000 | 8.25 | 05/15/88 |
| 08/05/80 | U.S. Treasury Notes | 1,350,000 | 8.875 | 06/30/84 |
| 10/03/80 | U.S. Treasury Notes | 1,100,000 | 11.875 | 09/30/82* |
| 12/03/80 | U.S. Treasury Notes | 1,000,000 | 13.875 | 11/30/82* |
| 02/16/82 | U.S. Treasury Notes | 14,193,000 | 14.625 | 02/15/85 |
| 04/05/82 | Bank of America C.D. | 4,700,000 | 14.50 | 10/01/82* |
| *09/30/82 | Bank of America C.D. | 4,550,000 | 10.67 | 03/29/83* |
| *10/01/82 | Ranier National Bank | 4,700,000 | 9.80 | 10/04/82* |
| *10/04/82 | Bank of America C.D. | 4,700,000 | 10.55 | 04/04/83* |
| *11/03/82 | Manufacturers Hanover Trust | 1,000,000 | 8.85 | 01/31/83* |
| *11/30/82 | Bank of America C.D. | 650,000 | 8.90 | 03/19/83* |
| *12/07/82 | Bankers Trust | 1,000,000 | 8.75 | 06/06/83* |
| *01/07/83 | Bank of America C.D. | 650,000 | 8.375 | 07/06/83 |
| *02/01/83 | Manufacturers Hanover Trust | 1,000,000 | 8.75 | 08/01/83 |
| *02/04/83 | Bank of America C.D. | 625,000 | 8.875 | 08/01/83 |
| *03/11/83 | Bank of America C.D. | 650,000 | 8.40 | 07/06/83 |
| *03/29/83 | Bankers Trust | 5,500,000 | 9.125 | 09/26/83 |
| *04/04/83 | Manufacturers Hanover Trust | 5,200,000 | 9.05 | 10/20/83 |
| *06/06/83 | Bank of America C.D. | 3,000,000 | 9.05 | 11/07/83 |

APPENDIX E

Estimates of State Aid and Shared Revenue to District Schools
Fiscal Years '84-'92

| Fiscal Year | 7.5% Increase | 10.0% Increase | 20.0% Increase |
|---|---|---|---|
| '84 | $ 577,612,100 | 588,998,500 | 642,543,800 |
| '85 | 618,783,000 | 647,898,000 | 771,052,500 |
| '86 | 665,191,800 | 712,688,100 | 925,263,000 |
| '87 | 715,081,200 | 783,957,000 | 1,110,315,600 |
| '88 | 768,712,200 | 862,352,600 | 1,332,378,800 |
| '89 | 826,365,700 | 948,587,900 | 1,612,178,300 |
| '90 | 888,343,100 | 1,043,446,700 | 1,934,614,000 |
| '91 | 954,968,800 | 1,147,791,400 | 2,321,537,000 |
| '92 | 1,026,591,500 | 1,262,570,500 | 2,785,844,100 |

Note: This revenue source increased an average of 20% annually from FY '77 through FY '83.

APPENDIX F

Estimates of Public School Fund Balances
Using Three Land Management Receipt Options
Fiscal Years '83 - '92

| Fiscal Year | Fund Balances Percent of Land Management Receipts .5% | 5.0% | 10.0% |
|---|---|---|---|
| '83 | $ 41,079,000 | - | - |
| '84 | 48,049,000 | - | - |
| '85 | 55,299,000 | 120,549,000 | 193,049,000 |
| '86 | 63,271,000 | 200,269,000 | 352,489,000 |
| '87 | 71,121,000 | 278,769,000 | 509,489,000 |
| '88 | 78,821,000 | 355,769,000 | 663,489,000 |
| '89 | 86,321,000 | 430,769,000 | 813,489,000 |
| '90 | 93,621,000 | 503,769,000 | 959,489,000 |
| '91 | 100,721,000 | 574,769,000 | 1,101,489,000 |
| '92 | 107,621,000 | 643,769,000 | 1,239,489,000 |

Note: Fiscal Year '83 is actual; the 5% and 10% options begin in FY '85 presuming a change in the law could first occur in FY '84.